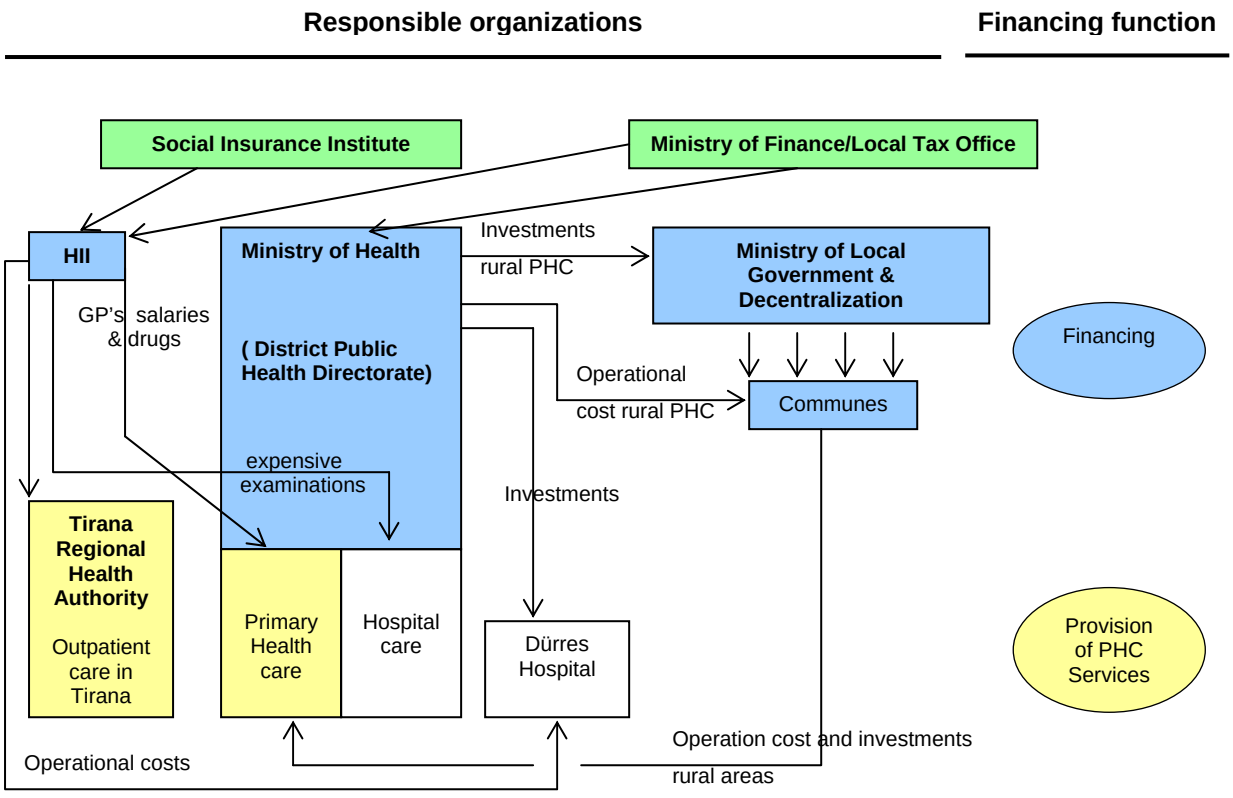
PRO Shëndetit's Health Financing Activities[1]

Albania was brought to the edge of bankruptcy and civil war during the late 1990s; this drained the country of both financial and intellectual resources. Only 2.8 per cent of GDP currently goes to health services in the public sector (the European Union average is 8 per cent). The depletion of resources plus small investments of existing resources has left primary health care outdated – sixty-four per cent of health centers in the Tirana region (the national capital) are without water, poorly equipped and only two per cent of expenditures are used directly for diagnoses and treatment.

The primary health care system is managed centrally, with little incentive or capacity for health centers to rationalize and focus to achieve efficient use of scarce resources; there is little to no focus on performance and outcomes. The fragmented system of financing health care, and specifically in this instance primary health care, does not favor cost containment, transparency, or accountability. Four administrative bodies are involved in fund raising (Ministry of Finance, Local Tax Offices, Social Insurance Institute and Health Insurance Institute) and three bodies are funding different parts of the system (see the blue portion of the following figure) and without a single body responsible for pooling[2]. As is clear from the figure, there are many players in the system. At present, the roles, responsibilities, and linkages between the players is far from clear.



In close collaboration with other donors in the health sector, PRO Shëndetit is supporting three core objectives of the MoH long-term health strategy for health financing: 1) implementation of single-source financing, 2) autonomy of providers, and 3) the introduction of performance contracts.

[1] Reference this document as PRO Shendetit, "Two-pager: PRO Shendetit's Health Financing Activities."
[2] *Pooling of funds* refers to institutions that receive public funds and either *procure/purchase* services from independent providers or cover the cost of providing services through their directly managed units for health *provision*.

Single-source financing means that a single organization, the Health Insurance Institute (HII), will be responsible for payment of health-care providers. It will act as the single pooler of resources (see the blue portion of the preceding figure). Payment will be based on a contract between HII and health centers. This process will increase transparency as it introduces a relationship between resource allocation and performance, as well as a system for monitoring services delivered. Within PRO Shëndetit, there is close collaboration between the service provision team, working to enhance site and individual performance, and the health information team, that will assist in reporting health services and indicators of the quality of those services.

Autonomy of Providers (AP) means that health centers will have the right and means to decide how to organize the provision of services to best meet the needs of the local population. The result of AP will be providers organized according to medical professionalism, attuned to the different population groups (age and gender groups –all such data are included in the new HMIS) and to varying regional needs. The AP couples rights and obligations with incentives to provide more and better quality services.

Berat is the proposed site where the new health financing program will begin. This is because of the efforts already made in Berat by the MoH and USAID, i.e., the development and operation of a region-wide functional health management information system,[3] skill improvement activities for general practitioners and nurses, and training of health officials and providers in understanding the new plans for financing primary health care.

The introduction of the new health financing system in Berat is a major objective of PRO Shëndetit. However, the path towards achieving this objective is neither smooth nor straight. Single-source financing is not possible without HII being able to plan available amounts of resources and successfully anticipate the future. Contracting is not possible before HII and health center physicians possess capacity to negotiate, conclude, and follow-up on contract implementation. Autonomy of providers is not possible before physicians have capacity to plan and manage performance. These stepping stones are what the Health Financing Team is now laying along the pathway to health reform. The status of the implementation is listed below.

Status of implementation	Major implementation steps
►	• ***Determine a set of performance improvement indicators that reflect productivity, data accuracy and the quality of clinical care by the PHC teams.*** • ***Develop the new contract to be signed between the HII and the PHIs.*** • ***Elaborate budget for 2005 for the primary health care institutions in Berat*** • Elaborate rules and procedures for audit of performance • Simulation-Contracts to be concluded for year one. • From year one each PHI receives a monthly statement from HII, showing what it would have been paid if the new contract has been in force • Reflection of the new payment system in the budget law • From year two each PHI receives an *actual* payment equal to the amount simulated under the new integrated payment system. • Regulations defining the autonomy of the PHIs. • Establish financial management capacity in each PHI • Year two, the PHIs in Berat have setup their own bank accounts, have trained financial managers/accountants, and have working accounting systems and financial procedures in place. • Define a benefit packaged of services, to be delivered by the PHIs, • Define the role and the responsibilities of the Regional Health Authorities. • Define the standards and norms according to which HII can conclude contracts with the PHIs.

[3] This was initially developed as a pilot in four health centers by USAID's PHRplus project.